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RUEHJB/AMEMBASSY BUJUMBURA 0347
RUEHDR/AMEMBASSY DAR ES SALAAM 5944
RUEHDJ/AMEMBASSY DJIBOUTI 5242
RUEHKM/AMEMBASSY KAMPALA 2775
RUEHKH/AMEMBASSY KHARTOUM 2021
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RUEHNJ/AMEMBASSY NDJAMENA 0315
RUEH DU/AMCONSUL DURBAN 0165

UNCLAS SECTION 01 OF 03 NAIROBI 001049

SIPDIS

KHARTOUM PLEASE PASS TO CONSULATE JUBA

STATE FOR EEB/CBA DENNIS WINSTEAD AND AF/SPG PAMELA FIERST

STATE ALSO FOR AF/E AND AF/EPs

STATE PLEASE PASS USTR WILLIAM JACKSON

TREASURY FOR VIRGINIA BRANDON

PLEASE PASS USAID/AFR/EA

SIPDIS

SENSITIVE

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [BEXP](#) [ETRD](#) [EINV](#) [SU](#) [KE](#)

SUBJECT: AMERICAN BUSINESS INTEREST IN SOUTHERN SUDAN

REF: STATE 35331 NOTAL

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CONTAINS PROPRIETARY INFORMATION.

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1. (SBU) This cable responds to reftel request to gauge sentiment in the Kenya-based U.S. business community with regard to doing business in Southern Sudan and likely participation in a suggested USG-organized trade mission to Juba. In Kenya, the response of U.S. companies is mixed: Most are keenly interested in doing business in Southern Sudan, but all continue to perceive a lack of clarity in the U.S. sanctions regime for Sudan as a stumbling block for their greater participation in the Southern Sudan market. Managing area directors of major companies like General Motors and Coca-Cola have informed the Ambassador and FCS Counselor that they will await approval from their corporate headquarters before venturing into the Southern Sudan market. End summary.

2. (U) Shortly after Ambassador Ranneberger arrived in Nairobi in August 2006, the president and board of the American Chamber of Commerce of Kenya (ACCK) told him that among the Chamber's top three priorities was entering the Southern Sudan market. However, representatives of American firms located in Nairobi say they have generally refrained from doing business in Sudan because USG sanctions policy remains unclear to them and they fear inadvertent violations.

Definite Interest . . .

13. (SBU) ACCK board member Steven Smith, who is CEO of Eveready East Africa, the national chairman of both the Kenya Association of Manufacturers (KAM) and Kenya Private Sector Alliance (KEPSA), and a leading member of the East African Business Council (EABC), said April 16 that he and other American business leaders in the region remain very interested in Southern Sudan. However, Smith said they have been hesitant to enter what they evaluate would be a promising market because of "mixed signals" from the State Department. "There's a lot of confusion coming from the State Department," he contended, "on how we can do business in Southern Sudan. There remain too many uncertainties. As a result, our legal departments are telling us to go slowly. My own counsel instructs me to 'make sure you know whom you're doing business with' before making any moves into Southern Sudan."

. . .But Need for Clarity

14. (SBU) Smith emphasized that there is a "need for clarity" with respect to U.S. policy. Once American corporations like General Motors and Coca-Cola know the ground rules, Smith predicted they will swiftly enter the Southern Sudan market. With the current sanctions policy, Americans are locked out. As a result, Smith said, the Southern Sudanese market is dominated by the Chinese, French, and Arabs. Significant market share is being unnecessarily lost, in his estimation.

15. (SBU) ACCK President Dr. Nelson Githinji, who is head of corporate and governmental relations for Coca-Cola East and Central Africa, repeated much the same comments that there is a need for the

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U.S. to "spell things out clearly." Until then, Coke will continue to refrain from entering Sudan as a whole even though the company "absolutely sees Southern Sudan as a potential major market." Similar views were expressed by Pfizer East and Central Africa General Manager Mahmoud A. Mohamed and Sara Lee Kenya Managing Director Eric Odipo. The Sara Lee executive said the company would enter Southern Sudan despite its lack of infrastructure and the absence of any supermarket or grocery store chain. To do business there, he conceded, would require partnering with reliable traders and kiosk operators. These handicaps aside, Sara Lee believes its product line-up of shoe polishes, fragrances, cosmetics, and skin-toning creams would attract Sudanese consumers.

16. (SBU) GE Africa Region President Yibrah Tesfazghi contended an overhaul of U.S. sanctions policy on Sudan, and not just Southern Sudan, is long overdue. The policy has not convinced Khartoum to ameliorate its hard-line policies, much less resulted in regime change. All the policy has accomplished, in his view, is keeping American firms like GE from doing business in Southern Sudan. "I've been working on this issue since 2005," Tesfazghi remarked with obvious exasperation. "There are 'wide-open spaces' for us and other American companies to enter, provided the policy is amended and we get cleared access. It would be great news to GE if the sanctions policy is loosened."

17. (SBU) Asked about GE prospects in Southern Sudan, Tesfazghi said there are opportunities in energy and water projects, road and railway construction, and "security products." He spoken excitedly about GE's vision of a railway system connecting Kenya, Uganda, and Southern Sudan. He claimed these ventures have been stymied by USG policy. (Note: Tesfazghi is openly bullish about GE's prospects in Africa. He confided that GE Africa profits rose 68% in 2007 and an amazing 114% in 1Q 2008. End Note.)

18. (SBU) ACCK Administrator Brenda Gitonga acknowledged April 16 that her members remain interested in Southern Sudan. Aside from Sara Lee East Africa and Eveready East Africa, she reported that Colgate-Palmolive East Africa, Eaton Corporation, and Afsat Communications are eager to do business in Southern Sudan.

19. (SBU) When informed that the State Department is contemplating sponsoring a trade mission to Southern Sudan, former ACCK President

Carisa Graf Suleman said April 17 she has no doubt that the American business community in Kenya would participate, provided corporate headquarters in the United States gives its approval. "We are definitely interested in going into Southern Sudan. Particularly those companies selling consumer goods - Procter and Gamble, Colgate-Palmolive, Sara Lee - will want to be involved." She suggested that Coca-Cola and General Motors would probably be more reticent, explaining that their shareholders have moral qualms about doing business anywhere in Sudan before the conflict over Darfur is resolved. (Note: Earlier in the year, Graf told FCS Counselor that most ACCK members would likely follow GM's and Coca-Cola's lead: proceeding cautiously until their corporate headquarters give them the go ahead.)

Awaiting USG Green Light

¶10. (SBU) Graf Suleman, whose husband owns Afsat Communications, remarked that the American business community is still waiting for the USG to announce that Southern Sudan is open to American businesses. "We especially need guidance on whether we can operate

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in the 'marginal areas' around Khartoum," she said. She called for our sanctions and development policies to align better with American business interests, saying it made little sense to have USAID and other government agencies pump money into Southern Sudan for development projects only to see Sudanese take their earnings to buy Chinese and French consumer goods. If USAID can spend U.S. taxpayer dollars in Southern Sudan, surely American private entrepreneurs should be allowed to expose their product lines to Sudanese consumers, she contended.

¶11. (SBU) During a March 13 ACCK board meeting with the Ambassador, FCS Counselor Jim Sullivan asked whether attendees would likely join a USG-organized trade delegation to Southern Sudan. Reservations were expressed by General Motors East Africa Managing Director Bill Lay and Coca-Cola's Nelson Githinji. Both said they doubted their corporate headquarters would approve such an endeavor until all questions about the Sudan sanctions policy were answered. They also mentioned concerns about public perceptions, especially those held by their shareholders, of doing business in Sudan, given the ongoing violence in Darfur.

RANNEBERGER